

USAID/Mozambique

Annual Report

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Mozambique

Performance:

Background:

Mozambique's independence from Portugal in 1975 was followed by nearly two decades of civil war and a decade of Marxist/Leninist one party rule. In 1992, Mozambique achieved peace and adopted a new constitution including a multi-party system of democracy. Since then, the country's transition to a market-led democracy has been progressing at a steady pace.

Elections in 1994 and 1999 returned the ruling Frelimo party to power. Long-serving President Joaquim Chissano stepped down after 18 years of leading the country, allowing voters to elect a new president in December 2004. Although all ten provinces have president-appointed governors, thirty-three municipalities have elected mayors and city councils. In the second municipal elections in Mozambican history, held in November 2003, Frelimo won all but five municipal contests. During both the 2003 municipal elections and 2004 national elections, Mozambique demonstrated the capacity to conduct free and fair elections.

Mozambique's economic growth record since the end of the civil war is outstanding. Gross Domestic Product (GDP) growth has averaged 8% per year over the last ten years. Inflation dropped to 13.8% in 2003 and is projected to fall to 11% in 2004. Although it is still one of the world's poorest countries, with 2004 GDP per capita of \$290 is on an upward trajectory. There is however a long road ahead: over 60% of the population remains without access to health care in a country with 650 doctors serving a population of 18 million; the projected HIV prevalence rate for 2004 is 14.9%; maternal mortality, despite a sharp decline from a minimum of 1000 deaths (1997) to 408 deaths (2003) per 100,000 live births, remains high.

Poverty reduction is the central focus of the GRM's economic plan. Mozambique's Poverty Reduction Strategy Paper, known by its Portuguese acronym PARPA, is under revision and will cover the 2006-2010 period. Poverty reduction results were better than anticipated under the first five-year PARPA. Household consumption survey results show a 15.3 percentage point drop in the incidence of poverty as measured by costs of basic needs (food plus non-food). The number of households in poverty declined from 69.4% in the 1996-97 survey to 54.1% in the 2002-2003 survey. The PARPA goal was to reduce the incidence of poverty to 60% by 2005 and to 50% by 2010, so Mozambique is clearly making progress on this front.

Mozambique's agenda for further policy reform in the near future is ambitious. Included are steps to remove a number of obstacles to private sector development, such as simplifying the still complex regulations and procedures that increase the cost of doing business; relaxing the labor code which limits the formal sector's competitiveness in export industries; modifying the land law to bring market forces into play in the allocation and trading of urban land; improving the functioning and integrity of the judicial system; and reforming and improving the structure and management of the public sector.

Mozambique was one of three countries the Millennium Challenge Corporation (MCC) determined to be eligible for Millennium Challenge Account (MCA) funding even though they did not fully meet the selection criteria. The MCC Board reported to Congress that, although Mozambique's rating against MCA criteria was at or below the median in relation to other candidate countries, Mozambique's progress and achievements were not adequately reflected in the indicators. Mozambique's primary education completion rates have been rising. This positive trend is backed by the fact that enrollment rates have increased to over 90% in 2000, from 60% in 1995; girls' primary school enrollment rates increased by 60% between 1995 and 2000. Recent improvements in fighting corruption - due in part to joint USAID-

State Department assistance - pushed Mozambique's scores well above the median.

U.S. Interests and Goals:

Mozambique's status as an essential link to global markets for several landlocked neighboring countries and the potential for growth in its economic ties to the industrial heartland of South Africa underscore the fact that the country's successful economic, political, and social transitions are vital to U.S. national interests of peace, stability, and economic growth throughout Southern Africa. As a rapidly growing economy, Mozambique is increasingly a potential market for U.S. exports and U.S. investment.

The USAID program promotes U.S. interests in Mozambique by addressing regional stability, democracy and human rights, economic prosperity and security, social and environmental issues, and humanitarian needs - all of which track closely with the poverty reduction and economic growth strategy of the Government of Mozambique (GRM). USAID assistance to Mozambique is instrumental in: (i) increasing rural household incomes; (ii) increasing the potential for labor-intensive exports and improving the enabling environment for private sector-led growth; (iii) increasing the use and quality of basic child and maternal health services; and (iv) strengthening the effectiveness of the governance partnership between government and civil society including anti-corruption efforts. Under the President's Emergency Plan for AIDS Relief, USAID is working closely with the Centers for Disease Control and Prevention, Peace Corps, Defense Department, and the State Department to reduce the incidence of HIV/AIDS and provide care and treatment for those affected and infected by the disease. USAID's program is tied closely to Mozambique's efforts to adhere to Millennium Challenge Account (MCA) criteria of just governance, investments in people, and economic development. The Justice Department, the Federal Bureau of Investigations, and the State Department are all working in partnership with USAID to deliver important anti-corruption assistance.

USAID is committed to expanding the participation of Minority Serving Institutions (MSI) in the implementation of its development programs in Mozambique. In 2004, USAID included language in all solicitation documents encouraging the inclusion of MSIs in project proposals.

Donor Coordination:

Donor coordination working groups led by Mozambican government officials are active in all five of USAID's strategic areas. Fifteen donors provide direct budget support to Mozambique although this is not part of the USAID program. These fifteen donors and USAID work closely with sectoral working groups, of which USAID is currently chair of the Private Sector Working Group and the Foreign Trade Policy Working Group. USAID and the World Bank implement complementary efforts to improve the environment for private sector growth. USAID continues to play a pivotal role in the Ministry of Health-chaired donor working group that includes Canada, the Netherlands, the EU, Japan, the World Bank and several other European Governments. USAID is also a leading member of the Legal Sector Working Group and spearheaded the creation of a Municipal Governance Working Group in 2004.

USAID is one of several international donors participating in the HIV/AIDS Partners' Forum. The Partners' Forum enables donors to share information, coordinate program plans, and work closely with the National AIDS Council (NAC) to ensure Mozambique benefits from nationwide, cross-sectoral activities in the fight against HIV/AIDS. The U.S. Mission HIV/AIDS Working Group also participates in smaller technical working groups, such as the group developing a national HIV/AIDS communications strategy. The World Bank, Global Fund, and other major donors are contributing to common funds managed by the Ministry of Health (MOH) and the National AIDS Council. The NAC has already used these funds to provide grants to international and national non-governmental organizations including faith-based organizations, and the MOH is establishing processes to do so. USAID does not contribute to these common, co-mingled funds directly although we participate in the coordinating mechanisms guiding the usage of the funds.

Challenges:

This reporting period marked the first year of implementation of the Emergency Plan for AIDS Relief requiring rapid start-up and achievement of significant results within a nine-month period. USAID was able to document a high level of performance and success. Funding is projected to increase over the coming years, and USAID has been tasked with bringing on board new partners, including faith-based

and additional Mozambican organizations in the fight against HIV/AIDS.

Early December witnessed the third presidential and legislative elections in Mozambique. Official results are not due to be announced until 17 December, but provisional results and parallel vote tabulations indicate that Armando Guebuza, a businessman and candidate for the ruling Frelimo party, won the election by a large margin. Frelimo also appears to have increased its majority in parliament. The main opposition candidate, Afonso Dhlakama, and his party, Renamo, suffered a heavy defeat. For the first time, overall turnout was below 50%. One of the most significant foreseeable challenges for USAID is the question of whether the new President and Cabinet members will maintain development and policy objectives and priorities previously adhered to by their predecessors, which forms the basis of the current USAID strategy (2004-2010) and programs.

Key achievements:

2004 marked an inter-strategy transition year with programs recording steady progress across all strategic objectives (SOs) with results either on track or exceeding set targets. Significant strides were made in increasing household incomes for rural farmers; strengthening the delivery of quality child and maternal health services in rural areas; providing care and treatment to those affected and infected by HIV/AIDS in conjunction with spreading prevention messages targeting high-risk groups; addressing policy reforms in trade; and tackling corruption in the government domain through strengthening civil society organizations.

Integrated programming:

Cross sector programs are important because they enhance the likelihood of achieving greater results due to the collaboration and shared effort involving multiple SO teams and their partners during implementation. USAID created an incentive fund as a way of encouraging SO teams to compete for resources and work together to achieve cross-cutting objectives under the Country Strategic Plan (2004-2010). The rural incomes, health and democracy strategic objective teams designed a joint activity to reduce the economic and health burden of malaria and diarrhea in target areas of Mozambique where activities were also underway to improve agricultural production and marketing and to reduce corruption in the provision of public services. This cross-sectoral activity will promote and facilitate the increased use of: (a) insecticide-treated bed nets; (b) home water treatment kits; (c) bio-sand water filter systems; and (d) access to expanded sanitation and hygiene awareness activities.

1. Rapid rural income growth sustained in target areas: USAID supports the promotion of improved economic policy, increased private sector growth, expanded access to economic infrastructure, increased agricultural productivity and livelihood protection of the poor during period of stress. The program is increasing household incomes through opening access to domestic, regional and global markets; expanding the number and reach of rural enterprises; and increasing and diversifying sustainable agriculture output in the focus area.

Rural enterprise revenues in USAID-financed activities, more than tripled over 2003 levels to nearly \$8 million in 2004. Despite large gains, continued lack of access to working capital combined with poor transportation networks hinders the success of rural enterprises. USAID, in partnership with the government of Mozambique, successfully addressed the lack of timely access to capital for agricultural investments by providing \$750,000 to cashew nut processors under a guarantee agreement with local banks. The loans allowed the processors to purchase and process increased quantities of nuts for sale on the international markets; as a result, two new international buyers of cashew nuts entered into the Mozambican market in 2004. The first producer-owned trading company, funded by USAID, launched its own marketing activities leading to the purchase over 400 tons of commodities from producers that would have otherwise marketed their goods individually at a lower cost per unit.

Activities designed to expand the application of science and technology to address low agricultural productivity resulted in participant farmers adopting newly introduced best practices and harvesting up to 69% more maize per hectare than in 2002 while non-participants maize yields increased only 15%. Farmers using the USAID-introduced Integrated Cashew Management practices increased their cashew yields by 72% over the last two years.

USAID addressed vulnerabilities to rural livelihood including efforts addressing HIV/AIDS, malaria and cholera through the introduction of locally appropriate nutritious food crops such as vitamin A rich orange-fleshed sweet potato and nutrition messages combined with information on hygiene, sanitation and HIV/AIDS prevention.

2. Labor-intensive exports increased: This SO aims to improve economic policy and governance, increase participation in global trade and investment and strengthen the capacity of labor-intensive industries. Increased labor-intensive exports are being achieved through development of better trade policies and fostering a more supportive enabling environment. USAID's main partner for improving the business environment, the Confederation of Mozambican Business Associations (CTA), consolidated its position as the pre-eminent private sector voice on a wide range of policy issues including: improvements in import/export clearance times; new decree on contracting of foreign labor; establishment of a timetable for new employment enhancing labor law and reduction in delay in Value-Added Tax reimbursements.

The USAID-financed Diagnostic Trade Integration Study forms the basis for the GRM's process of integrating a liberal trade policy into its economic growth strategy. Close to 150 arbitrators were trained in the USAID-sponsored Alternative Dispute Resolution (ADR) Institute in 2004. The institute has resolved 12 cases and the use of arbitration clauses in contracts is becoming more widespread. 2004 saw the completion of post-2000 flood reconstruction of the Limpopo rail line, restoring the 525 kilometer line to better than original conditions.

3. Increased use of child survival and reproductive health services in target areas: This SO seeks to build the capacity of the public health system and improve maternal and child survival, health and nutrition. USAID, through this program, ensures that basic quality health services are increasingly accessible to the rural poor and management procedures and policies are more accountable.

USAID-funded technical assistance supported the development of a new family planning policy, currently pending ministerial approval, and the integration of the contraceptive logistics system into one overarching general health logistics management system. Training of trainers was undertaken to ensure successful uptake of the integrated system.

Child and maternal health status in USAID's six province target area marked impressive improvements during the reporting period. The number of children receiving two doses of vitamin A supplementation increased from 40% in 2002 to 50%; an impressive 40.4% of children were fully immunized (set of eight vaccines) by their first birthday in relation to 25.6% in 2002; while at the same time more than 15% of children were using insecticide treated bed nets in comparison to 5% at baseline. More women are utilizing modern contraception and at least 66.5% of pregnant women received two tetanus shots before giving birth. Of women who have given birth within the last two years, 54.4% were attended by a trained health professional in a health facility.

4. Transmission reduced and impact of the AIDS epidemic mitigated: Mozambique is one of 15 focus countries under the five-year (2004-2008) President's Emergency Plan for AIDS Relief. Under this SO, USAID aims to reduce the transmission and impact of HIV/AIDS. Six new partners and three continuing partners are implementing programs to: prevent mother-to-child transmission of HIV (PMTCT); promote abstinence and faithfulness to prevent new HIV infections; promote other prevention approaches, including through condom social marketing; provide both clinic-based and home-based palliative care for persons living with HIV/AIDS; ensure basic care and support for children orphaned and made vulnerable due to HIV/AIDS; and expand access to voluntary counseling and HIV testing.

From a base of zero PMTCT sites in 2002, 34 sites in Mozambique provided services to pregnant women and their infants by the end of 2004. Of this number 21 new sites were initiated by USAID partners. Programs promoting abstinence and faithfulness reached 385,000 individuals through face-to-face community-based activities. An estimated 5.8 million Mozambicans have access to mass media campaigns and events. Home-based care services were provided to over 11,800 chronically ill HIV/AIDS patients by over 6,600 trained volunteers. USAID expanded services to orphans and vulnerable children

from a few dozen receiving services in 2003 to more than 42,000 in 2004. USAID funding supported the operation of 26 voluntary counseling and HIV testing sites throughout the country providing services to over 35,900 Mozambicans.

5. Municipal governance increasingly democratic: This SO supports the consolidation of democracy through strengthening civil society participation; promoting and supporting anti-corruption reforms and supporting democratic local governance.

2004 represented the end of eight years of USAID assistance to the Parliament. During the final year reporting period the Parliament established and strengthened internal procedures, including establishing a system for bill drafting and analysis and conducting public hearings. Parliamentarians were trained in financial and human resource management and program planning.

The Anti-Corruption Unit of the Attorney General's Office recorded an increase in reported corruption cases from 116 cases in 2003 to 155 in 2004. The number of indictments increased from 11 to 24 in 2004. That said, evidence of political will and key reforms to fight corruption still fall short of expectations, evidenced in part by the low number of corruption cases brought to the court system.

Ética Mozambique, the only Mozambican anti-corruption non-governmental organization, continued to implement its national awareness and education campaign against corruption. USAID's partnership and grant with Ética, in conjunction with the Attorney General's Office, resulted in the design of a plan to establish ten anti-corruption centers in the country's provincial capitals. Two anti-corruption centers were established in 2004 and the remaining eight will be operating by the end of 2005.

USAID will begin implementation of municipal governance strengthening activities in mid-2005.

Results Framework

656-001 Increased rural household income in focus area

SO Level Indicator(s):

- Net per capita average real income per year
- 1.1 Increased access to markets
- 1.2 Rural enterprises expanded
- 1.3 Increased sustainable agricultural output

656-002 Government and civil society are effective partners in democratic governance at the national and local levels

SO Level Indicator(s):

- Perceptions of influence by citizens - public surveyed who agree that citizens influence public decisions
- Perceptions that local questions of interest are better resolved through collaboration between local government, citizens and private sector
- Political will for anti-corruption efforts by Government, Parliament and Civil Society
- 2.1 Increased citizen participation in governance at the national and local levels
- 2.2 Key democratic institutions are more effective and accountable

656-003 Increased use of essential maternal and child health and family planning services in focus areas

SO Level Indicator(s):

- Antenatal care
- Assisted delivery - mother with children < 24 months who were attended at birth of last child by a health workers (includes TBAs)
- Contraceptive prevalence rate - women 15-49 using modern method
- DPT3 coverage
- Exclusive breastfeeding
- ORT rate
- TT2 coverage
- 3.1 Increased access to community-based services
- 3.2 Increased demand for community-based services
- 3.3 Strengthened management of decentralized services

656-004 Improved enabling environment for private sector-led growth and development

SO Level Indicator(s):

- Economic Freedom - Worldwide Heritage Foundation Index
- 4.1 Increased private sector role in development of economic policy, legislation and regulations
- 4.2 Improved policies and facilities encourage trade and investment

656-005 XXXXXXXXXXXXXXXX

656-006 Rapid rural income growth sustained in target areas

SO Level Indicator(s):

- Average HH real income per year in target areas
- Under five nutritional status in target areas
- 6.1 Increased smallholder sales of agricultural production
- 6.2 Rural enterprises expanded
- 6.3 Transport infrastructure improved

656-007 Labor intensive exports increased

SO Level Indicator(s):

- Accommodation facility occupancy
- Value of exported goods by sector

- 7.1 Increased market access
- 7.2 Enabling environment for business transactions improved
- 7.3 Capacity of labor-intensive industries strengthened

656-008 Increased use of child survival and reproductive health services in target areas

SO Level Indicator(s):

- Births attended by a trained medical professional
- Children fully immunized
- Children receiving Vitamin A supplementation
- Households using ITNs
- Women using modern contraception

- 8.1 Increased access to quality child survival and reproductive health services in target areas
- 8.2 Increased demand at community level for child survival and reproductive health services
- 8.3 More accountable policy and management

656-009 HIV transmission reduced and impact of the AIDS epidemic mitigated

SO Level Indicator(s):

- HIV infected women who receive ARV intervention to prevent MTCT
- HIV Prevalence in 15-24 year olds
- Sexually active adults and youth reporting at least one non-regular partner in last 12 months

- 9.1 Civil society linked effectively to national HIV/AIDS response
- 9.2 Behavior change enhances HIV/AIDS prevention and care
- 9.3 Essential services utilized

656-010 Municipal governance increasingly democratic

SO Level Indicator(s):

- Citizens reporting increased satisfaction with municipal government performance
- Citizens that agree that citizens influence municipal government decisions
- Municipal governments who openly share budget and operational plans with citizens
- Municipalities with operational plans reflecting expressed community priorities

- 10.1 Citizen capacity to participate expanded
- 10.2 Targeted municipal governments demonstrate more democratic decision making